

Docket:	:	<u>A.09-12-020</u>
Exhibit Number	:	<u>DRA-16</u>
Commissioner	:	<u>Peevey</u>
ALJ	:	<u>Fukutome</u>
Witness	:	<u>Ezekwo</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Pacific Gas and Electric Company
General Rate Case
Test Year 2011**

Replacement Pages

**Shared Services and Other Support Costs -
Information Technology Capital Expenditures**

San Francisco, California
July 7, 2010

Revisions to Exhibit DRA-16:

1. p. 1, line 23, strike \$121.7 million and replace with \$130.0 million
2. p. 1, line 25, strike \$159.4 million and replace with \$216.7 million
3. p. 2, Table 16-1 is revised.
4. p. 3, Table 16-2 is revised.
5. p. 13, line 19, Table is revised

SHARED SERVICES AND OTHER SUPPORT COSTS

INFORMATION TECHNOLOGY CAPITAL EXPENDITURES

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Division of Ratepayer Advocates (DRA) regarding Pacific Gas and Electric Company's (PG&E) forecasts of Shared Services and Other Support Costs – Information Technology (IT) capital expenditures for 2009 through Test Year (TY) 2011. DRA does not address the attrition years (2012 and 2013) in this report. The capital expenditures are segregated in portfolio format as exemplified in the PG&E's work papers.¹

Under each capital portfolio, there are major work categories.² The capital expenditures are segregated into the following portfolios: Baseline, Lifecycle, IT Optimization and Functional Area IT (FAIT).

DRA addresses PG&E's forecasts of capital expenditures related to these portfolios. This exhibit does not specifically address PG&E's capital additions, which are automatically calculated by the Results of Operations (RO) computer model based on the capital expenditures that are loaded into it.

II. SUMMARY OF RECOMMENDATIONS

The following summarizes DRA's recommendations regarding Information Technology capital expenditures (see Table 16-1):

- DRA recommends that the Commission adopt recorded 2009 capital expenditures of \$209.5 million.
- DRA recommends that the Commission adopt 2010 capital expenditures of ~~\$121.7~~ ^{130.0} million.
- DRA recommends that the Commission adopt 2011 capital expenditures of ~~\$159.4~~ million.

¹ Ex. PG&E-7, workpapers, Chapter 2, p. 2, Table 2-1

² Ex. PG&E-7 workpapers, Chapter 2, p. 168, Table 2-42

Table 16-1 compares DRA's and PG&E's 2009-2011 forecasts of Information Technology capital expenditures, by portfolio:

Table 16-1 (Revised)
Information Technology Capital Expenditures for 2009-2011
(In Thousands of Dollars)

Description	DRA Recommended			PG&E Proposed ³		
	2009	2010	2011	2009	2010	2011
Baseline	\$13,378	\$9,335	\$10,866	\$7,215	\$9,335	\$10,866
Lifecycle Portfolio	\$57,687	\$52,712	\$53,852	\$50,282	\$55,222	\$64,273
IT Optimization	\$4,252	\$10,245	\$11,000	\$5,347	\$10,245	\$11,000
FAIT Project	\$134,195	\$57,717	\$140,956	\$91,736	\$157,613	\$201,034
Total	\$209,511	\$130,009	\$216,674	\$202,182	\$232,415	\$287,173

Table 16-2 and 16-3 compare DRA's and PG&E's 2009-2011 forecasts of Information Technology capital expenditures, by Major Work Category (MWC) within each portfolio:

³ Ex. PG&E-7, Workpapers, Chapter 2, p. 2.

Table 16-2 (Revised)
Information Technology Capital Expenditures for 2009 thru 2011
(In Thousands of Dollars)

Portfolio	MWC	Description	DRA 2009 Forecast	DRA 2010 Forecast	DRA 2011 Forecast
Baseline	03	Office Furniture	\$148	\$80	\$80
Baseline	05	Tools & Equip	\$1,502	\$1,054	\$1,308
Baseline	85	IT Infrastructure	\$11,728	\$8,202	\$9,477
Total Baseline			\$13,378	\$9,335	\$10,866
IT Lifecycle	85	IT Infrastructure	\$57,687	\$52,712	\$53,852
Total IT Lifecycle			\$57,687	\$52,712	\$53,852
IT Optimization	53	IT Applications	\$196	\$10,245	\$11,000
	85	IT Infrastructure	\$4,066	\$0	\$0
Total IT Optimization			\$4,252	\$10,245	\$11,000
	2	IT Voice Comm	\$5,884	\$0	\$0
	8	Office Furniture	\$9	\$0	\$0
FAIT	20	Manage DCPD	\$572	\$4,089	\$1,991
FAIT	21	Manage Var Bal Acct	\$7013	\$81	\$169
FAIT	53	IT Applications	\$51,290	\$43,882	\$138,064
	80	Computer Network Facil	(\$905)	\$0	\$0
FAIT	85	IT Infrastructure	\$145,402	\$9,666	\$732
	87	Office Equip	\$24	\$0	\$0
Total FAIT			\$134,195	\$57,717	\$140,956
TOTAL CAPITAL			\$209,511	\$130,009	\$216,674

1 between the future forecast amounts and the recorded amounts is
2 relatively small, then the estimating tool may be reliable and PG&E may
3 propose to use it in future GRCs.

- 4 • The estimating tool assigns score to each inputs to the program (the
5 inputs includes project complexity, level of dependency between the new
6 project and other projects, the use of vendors, and expected project
7 duration were assigned scores), then the tool generates the GRC forecast.
8 How the scores are assigned is questionable.
- 9 • After determining the low and high forecast (the range), PG&E evaluated
10 each project to determine what is the most likely outcome within the
11 range. PG&E has not satisfactorily explained to DRA how the outcomes
12 were derived.

13 Based on concerns such as those discussed above, DRA recommends that
14 the Commission disregard PG&E's high forecast range and instead take the low
15 forecast range as its estimate for all FAIT capital projects that have not been
16 rejected by other DRA witnesses who are addressing such projects in their
17 testimony.

18 Below is a list of 2010 and 2011 FAIT capital projects that are being outright
19 rejected by other DRA witnesses. (Below is the revised table.)

MWC	MWC Description	2010	2011	DRA Exhibit
85	Mobile Connect	\$21,700,000	\$12,900,000	DRA-10
85	Dynamic Pricing	\$60,342,000	\$0	DRA-10
85	Electric Contract & Settlement	\$4,565,000	\$6,400,000	DRA-10
53	Customer Billing System Upgrade	\$0	²¹ \$8,325,000	
	Total	\$86,607,000	\$27,625,000	

20 Since these projects have been rejected in their entirety, these project costs
21 have been removed as reflected in the capital expenditure estimates presented in
22 this exhibit.

²¹ D.10-02-032